



## COUNCIL CHAMBER

CITY HALL, ROOM 300  
121 NORTH LASALLE STREET  
CHICAGO, ILLINOIS 60602  
TELEPHONE: 312-744-3093

## MANUEL FLORES

### CITY COUNCIL CITY OF CHICAGO

ALDERMAN, 1ST WARD  
2056 NORTH WESTERN AVENUE  
CHICAGO, ILLINOIS 60647  
TELEPHONE 773-278-0101  
FAX: 773-278-2541

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1/21/2005

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW.  
Washington, DC 20552

Attention: No. 2004-53

To Whom It May Concern:

I am writing to oppose the Office of Thrift Supervision's proposal to change regulation of the Community Reinvestment Act (CRA). This proposal will weaken CRA by allowing large institutions to effectively "opt-out" of complying with the investments test and the services test. It would also redefine what is considered "community development" to include projects with no direct benefit to lower income people.

In 1977, Congress passed the Community Reinvestment Act (CRA), requiring banks to serve the credit and debt needs of the communities in which they operate—including lower income neighborhoods. The law recognized the fact that markets cannot operate without financial tools, and that some communities lacked the financial services needed for a healthy economy. In 1995, new CRA regulations were developed to make the implementation of the law more efficient and effective. The new regulations concentrated on outcomes rather than effort, specifically a bank's home and small business lending record, its record of investments in lower-income communities, and the services the bank offered including the distribution of bank branches and ATMs. The new regulations were a major reason for the increase in lower income and minority homeownership in the 1990s. Studies from Harvard University and the Federal Reserve Board demonstrate the effectiveness of the regulations and the fact that most CRA housing and small business loans are profitable for the lending institutions. In the current expansion of bank branches in many cities, the regulations have served to encourage banks to add branches in underserved communities.

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I oppose the proposed changes to the assignment of ratings regulation. As it stands, CRA encourages thrifts to participate in the communities in which they accept deposits by ensuring that they offer basic access to financial services and promotes investment in affordable housing. Under this proposal, it would be possible for a large thrift's CRA rating to be based 100 percent on lending, and a large institution could get an "outstanding" CRA rating with no consideration of its level of community development investments or services.

I also oppose the changes to the definition of "community development" to include "community services targeted to individuals in rural areas, and activities that revitalize or stabilize rural areas" regardless of the impact to low- and moderate-income people or communities. This would potentially allow thrifts to get CRA credit for financing luxury housing developments or participating in golf course construction if the projects are located in rural areas.

CRA is working and has helped provide billions of dollars in community development resources targeted to lower income communities. Under this proposal, many of these communities could see the opportunities made possible by CRA disappear. On behalf of {your organization or constituency}, I respectfully request that you withdraw this proposal.

Sincerely,

  
Alderman Manuel Flores  
Chicago City Council